



**Keynote Address by Mr Teo Eng Cheong  
Chief Executive Officer, International Enterprise (IE) Singapore  
Gastech Conference and Exhibition 2015  
27 October 2015, 1400Hrs  
Singapore EXPO**

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1. A very good afternoon to all of you, and welcome to Singapore. It is my pleasure to join you at the Gastech Conference and Exhibition this afternoon. More importantly, I am very glad that Singapore is able to play host to all of you for this important occasion.
2. We are meeting today against a backdrop of an uncertain and very challenging environment, especially for the energy sector. In the last one year or so, oil and gas prices have dropped by about 50% and brought about a slowdown in many of the adjacent activities. The bad news is that this is not likely to end anytime soon. In fact, the forecast is that the excess supply of LNG may persist till 2020.
3. Despite the rather gloomy picture, I would like to speak on a more positive note. I think we have enough bad news so far. But as you all know, opportunities come along with challenges. I would like to highlight a few bright sparks that I think are starting to show up.
4. The first bright spark - I think we are going to see a more liquid market for LNG trading. Because of these uncertainties, many buyers are adopting a wait-and-see approach, and some have turned to the spot market to supplement their supplies. For these buyers, contract flexibility, a varied supply sources and diversification from the oil price indexation are some of the key considerations when they negotiate the contract. Traditional buyers such as the major utilities, may also turn into resellers. They may leverage on their long-term contracts to create short-term sales through cargo diversions and swaps. And all these developments are likely to stimulate more LNG trading.

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5. Singapore has seen strong and steady growth in our LNG trading sector. I'm glad that today, we have more than 30 LNG companies with trading or business development presence in Singapore. Some of these are newly set up in Singapore while others have substantially expanded their activities here recently.
6. For example, Chinese utility, China Huadian recently set up its office in Singapore as the base to procure for its domestic needs. This year, ExxonMobil announced that it has set up a new organisation that will oversee the marketing of all equity LNG supplies for existing and future ExxonMobil projects. Trafigura has also expanded their LNG trading activities in Singapore by signing a storage agreement with SLNG in June this year.
7. To support trading, you will need to have a good price discovery mechanism, and an Asian LNG price will be helpful despite the reduced tension and pressure because of the Asian premium phenomena in the past.
8. Singapore is neither a major producer nor consumer. But we can play a role in the formation of a neutral LNG price in Asia, much like it already does in commodities like oil, rubber or iron ore.
9. To this end, the Energy Market Company has launched the FOB Singapore SGX LNG Index Group (SLInG). The weekly index is based on the submissions from international LNG players who offer their assessment of LNG prices. Launched as a private poll in end September, it has evolved to include about 20 players. We hope that SLInG will evolve to be the Asian LNG price over time.
10. The second bright spark is the emerging trend of new LNG demand from non-traditional markets. This includes new small-scale LNG in demand for industrial parks and off-grid power generation in remote areas. We are also starting to see LNG bunkering in Asia.
11. The Southeast Asian markets offer enormous potential for small-scale LNG infrastructure. The numerous small and remote islands make it uneconomic for construction of dedicated gas distribution pipelines. Modular gas infrastructure can bring down the capital expenditure investment, making small-scale LNG a cost-effective and viable option. Such gas infrastructure are also re-deployable. This will

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reduce the risk for project developers and investors, making projects more bankable.

12. Just last month, Pavilion Energy announced that they plan to develop small-scale supply chain solutions within the region and had already begun discussions with several partners. In China, commercial LNG bunkering operations have developed on the Yangtze River. South Korea has also been carrying out LNG bunkering operations fed through trucks from Incheon.

13. Singapore is the world's top bunkering port with more than 42 million tonnes of bunker sales in 2014. We have taken steps towards being an early adopter of LNG bunkering. In July this year, the Maritime Port Authority of Singapore launched its first Request-for-Proposal for interested parties to apply for LNG bunker supplier license. This echoes well for LNG bunkering in Asia and hopefully will create new demand for LNG.

14. The third bright spark that we see is that the long-term drivers remain very valid. Climate change, pollution control and energy security will continue to drive the demand for LNG in the longer term. While we have seen subdued Asia demand because of slower economic growth, there is still a growing sense for cleaner air and environment in Asia.

15. Developing countries in Asia will want to increase the use of gas in the energy mix. An example is Singapore, where natural gas makes up more than 95% of our power generation mix. Combined with the fact that we have a growing middle-class population in Asia, we believe that Asia will remain as the leading LNG destination market for the foreseeable future.

16. In Singapore, we have systematically developed the ecosystem for LNG as an alternative fuel source. The Singapore LNG terminal began commercial operations in May 2013. Singapore's tranche-by-tranche approach of importing LNG, positions us to be flexible enough to respond to changing market dynamics.

17. The Energy Market Authority has announced the shortlisting of four companies to participate in Stage 2 of its Request-for-Proposal to appoint up to two new LNG importers to supply Singapore with LNG. Besides Throughput Services, SLNG is

already offering other terminal services such as cool-down and storage & reload services.

18. Adding to the vibrancy of the LNG ecosystem is the growing cluster of companies in Singapore with engineering and technological capabilities to provide turnkey solutions and supporting services across various segments of the LNG value chain. Singapore companies like Rotary Engineering, Keppel Offshore & Marine, Sembcorp Marine, Sing Swee Bee and Calm Oceans can collectively provide solutions for gas extraction, liquefaction, transportation, storage & regasification and distribution.
19. In conclusion, while the external environment for LNG is uncertain, there are bright sparks that are encouraging. We may see a more liquid market for trading, there may be more new demand for LNG from non-traditional markets, and you can always be hopeful that in the longer term, the drivers for LNG market remain very strong. The Singapore government remains committed to growing LNG as an alternative fuel source and to develop Singapore as a LNG trading hub.
20. On this note, I would like to thank Gastech for choosing Singapore to host this prestigious event and I wish all of you a very fruitful conference. Thank you.

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#### **Note to Editor**

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Issued by IE Singapore. For media enquiries, please contact:

Ms MOK Kai Lynn  
Manager (Media), Corporate Communications Group  
DID : + 65 6433 4706  
Email : [mok\\_kai\\_lynn@iesingapore.gov.sg](mailto:mok_kai_lynn@iesingapore.gov.sg)

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International Enterprise (IE) Singapore is the government agency driving Singapore's external economy. It spearheads the overseas growth of Singapore-based companies and promotes international trade.

IE Singapore attracts global commodities traders to establish their global or Asian home base in Singapore. Today, Singapore is a thriving trading hub with a complete ecosystem for the energy, agri-commodities and metals & minerals trading clusters.

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